

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION

Docket No. 2019-185-E

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In re:)
South Carolina Energy Freedom)
Act (H.3659) Proceeding to)
Establish Duke Energy)
Carolinas, LLC's and Duke Energy)
Progress, LLC's Standard Offer)
Avoided Cost Methodologies,)
Form Contract Power Purchase)
Agreements, Commitment to Sell)
Forms, and Any Other Terms or)
Conditions Necessary)
(Includes Small Power Producers)
as Defined in 16 United States)
Code 796, as Amended))

SURREBUTTAL TESTIMONY OF
REBECCA CHILTON
ON BEHALF OF JOHNSON
DEVELOPMENT ASSOCIATES, INC.

I. Introduction and Qualifications

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Rebecca Chilton. I operate Izuba Consulting, a renewable energy development, finance and operations consulting firm. My business address is 101 Hunter Place, Carrboro, NC 27510.

Q. ARE YOU THE SAME REBECCA CHILTON THAT OFFERED DIRECT TESTIMONY IN THESE DOCKETS.

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The Purpose of my Rebuttal Testimony is to discuss the Response of Johnson Development Associates, Inc. ("JDA") to issues raised in the direct testimony of George Brown ("Brown") filed on behalf of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (collectively "Duke").

Q. DO YOU AGREE WITH BROWN'S ANALYSIS OF PURPA AND ACT 62 AS ARTICULATED ON PAGE 11, LINE 21 THROUGH PAGE 12, LINE 3?

A. No. Brown's analysis of PURPA and Act 62 attempts to make the case that neither law is meant to favor the development of QFs as opposed to other generation types. The exact opposite is the case. PURPA's stated goal is to support the development of QFs in direct opposition to utility-owned fossil fuel generation while making the cost of QF development to the ratepayer just and reasonable given a holistic and long-term view of the utility's costs avoided by purchases from QFs.

Likewise, Act 62, while initially referring to a variety of strategies to increase the presence of renewable energy in South Carolina, specifically and explicitly links the work of this Commission relating to QFs to the Act's purpose of promoting renewable energy in the state. Without directly implementing the Act's (and PURPA's) requirement that the Commission's avoided cost analysis not discriminate against QFs and that minimum PPA

1 durations be used as a tool to promote renewable energy in South Carolina, where such
 2 terms create a just and reasonable outcome for the ratepayer, Act 62 has not been complied
 3 with.

4 **Q. ON PAGE 3, BEGINNING AT LINE 8, BROWN BEGINS TO PROCLAIM THE**
 5 **BENEFITS OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY**
 6 **(CPRE)? DOES CPRE COMPLY WITH PURPA?**

7 **A.** No. It is important to remember that these programs may supplement, but cannot be in lieu
 8 of, purchases from QFs at avoided cost as required by PURPA.

9 **Q. HOW DO YOU RESPOND TO BROWN'S INTRODUCTION OF THE NORTH**
 10 **CAROLINA CPRE (NC CPRE) PROGRAM INTO HIS TESTIMONY?**

11 **A.** The NC CPRE is an example of one such supplemental program, but an analysis of its
 12 results shows that it was not as competitive as Brown states. A "competitive" process that
 13 awards almost 45% of contracts to the utility itself, without requiring that sole "competitor"
 14 to provide the same deposits that were an economic obstacle to other participants, does not
 15 indicate an even playing field. Further, despite the fact that the utility captured more NC
 16 CPRE contracts than any other competitor, it quickly abandoned the largest contract
 17 awarded to it because the price was too low for Duke to make the project economically
 18 feasible.¹ A CPRE-type program is a nice addition, perhaps, but it is not so much a means
 19 for increased competition from third party developers but a representation of the unique
 20 competitive advantage the utility enjoys. The results of the NC CPRE program and its
 21 aftermath highlight the need for fairly-determined avoided cost pricing in South Carolina
 22 to enable QF's to gain a share of generation in the state as contemplated by PURPA.
 23

¹ <https://www.greentechmedia.com/articles/read/duke-drops-largest-solar-project-in-north-carolina-procurement-its-own#gs.9b3zca>.

Q. ON PAGE 22, LINES 5 THROUGH 9, BROWN OPINES THAT ACT 62 DOES NOT MANDATE LONGER TERM PPAS. HOW DO YOU RESPOND?

A. PPA terms longer than 10 years, while not mandated by Act 62, are expressly encouraged by the Act as a means of promoting renewable energy development in South Carolina. In addition, PPAs longer than 10 years offer a number of benefits, such as guaranteed pricing for both energy and capacity which cannot be obtained through the utility's normal development of generation resources. The appropriate statutory conditions for longer PPA terms that I reference in my testimony are set forth in the statutory provision cited and will be proposed by intervenors at the appropriate time for approval.

Q. WHAT RESPONSE DO YOU HAVE TO BROWN'S TESTIMONY DEFENDING DUKE'S PRACTICE THROUGH ITS RENEWABLE COMPANY OF SIGNING 20 AND 35 YEAR PPAS BUT ARGUING AGAINST SUCH LENGTHS IN SOUTH CAROLINA WHICH WOULD PROTECT RATEPAYERS AND PROMOTE RENEWABLE ENERGY FOR OUR STATE?

A. Although Brown maintains that the long-term contracts that the utility's renewables arm has undertaken in North Carolina and Georgia (20 and 35 years, respectively) are at the lowest possible cost he does not address the inconsistency of that argument with his own original testimony that long-term fixed price contracts cannot protect ratepayers against potential cost declines. Referring to Brown's discussion of the utility's long-term North Carolina and Georgia contracts, we would further note that Duke itself declined to move forward with a winning bid for 80 MW in the NC CPRE process because the awarded pricing was too low.²

Q. ON PAGES 25 AND 26 BROWN REFERENCES OTHER STATES' PURPA REGIMES. HOW DO YOU ADDRESS HIS THOUGHTS ON THE TOPIC?

A. We are here to discuss South Carolina's implementation of PURPA as guided by the South Carolina Energy Freedom Act. While Brown cites other states in the Southeast with more restrictive PURPA regimes, he wisely does not try to make the case that they have robust

² *Id.*

PURPA outcomes. Alabama, with a population about the same as South Carolina, has a mere 283 MW of solar on its grid to date.³ Mississippi has only 235 MW of solar and ranks 43rd in the nation for solar penetration.⁴ Tennessee's overwhelmingly dominant utility, the Tennessee Valley Authority, is not subject to that state's Commission resulting in Tennessee's PURPA regime being all but irrelevant as a comparison.

Q. ON PAGE 37, LINES 7-11, BROWN CONTENDS THAT PURPA DOES NOT REQUIRE QFS BE ABLE TO OBTAIN REGULARLY AVAILABLE MARKET RATE FINANCING. IS HE CORRECT?

A. No. As stated in my direct testimony, the requirement that QFs must able to obtain regularly available, market rate financing is implicit in PURPA. It does not stand to reason that Congress would legislate to encourage the development of QFs but only if they are as financially advantaged as monopoly utilities. However, this does not mean that PURPA envisions a special rate or subsidy for QFs, nor do we argue that any given QF project must absolutely be able to obtain financing. Rather, we argue simply that according to Section 58-41-20(B)(1) which states that the "rates for the purchase of energy and capacity **fully** and accurately reflect the electrical utility's avoided costs" coupled with an appropriate duration of term will provide QFs reasonable access to market-rate capital.

Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

A. No. It is explicit in Act 62 that prior to a utility executing interconnection agreements and PPAs with QFs located in South Carolina with an aggregate nameplate capacity equal to twenty percent of the previous five-year average of the utility's South Carolina retail peak load that *fixed* price contracts longer than 10 years include a decrement to the 10-year avoided cost rate be applied to the portion of the contract extending beyond ten years and as *proposed by the intervenors*. As such, JDA expressly preserves the right in this docket, future proceedings, and in PPA negotiations to propose various methods of complying with the Act 62 requirements for longer term contracts. I leave open the possibility to offer testimony as necessary.

³ https://www.seia.org/sites/default/files/2019-09/Factsheet_Alabama.pdf

⁴ <https://www.seia.org/state-solar-policy/mississippi-solar>